

CRESTON COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2008

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Creston Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2007 Election)</b>		
Barb Wilmeth	President	2008
Robert Deranleau	Vice President	2007
Bobbie McFee	Board Member	2008
Randy Hughes	Board Member	2009
Stacy Wood	Board Member	2009
<b>Board of Education (After September 2007 Election)</b>		
Robert Deranleau	President	2010
Bobbie McFee	Vice President	2008
Barb Wilmeth	Board Member	2008
Randy Hughes	Board Member	2009
Stacy Wood	Board Member	2009
<b>School Officials</b>		
Tim Hood	Superintendent	2008
Donald M. Krings	Board Secretary/ Business Manager	2008
Pat Moeller	District Treasurer	2008
Peter Pashler	Attorney	2008

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3050  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Creston Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Creston Community School District, Creston, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Creston Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2009 on our consideration of Creston Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board.

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Creston Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for four years ended June 30, 2007 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2009

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Creston Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$12,775,911 in fiscal 2007 to \$13,245,277 in fiscal 2008, while General Fund expenditures increased from \$12,564,589 in fiscal 2007 to \$13,032,692 in fiscal 2008. This resulted in an increase in the District's General Fund balance from \$1,276,281 in fiscal 2007 to a balance of \$1,488,866 in fiscal 2008, a 16.7% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in state source revenues in fiscal 2008. The increase in expenditures was due primarily to an increase in instructional expenses.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) increased from 8.5% for fiscal year 2007 to 9.2% for fiscal year 2008. The State School Budget Review Committee recommends a solvency ratio between 5% and 10%.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Creston Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Creston Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Creston Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
***Creston Community School District Annual Financial Report***

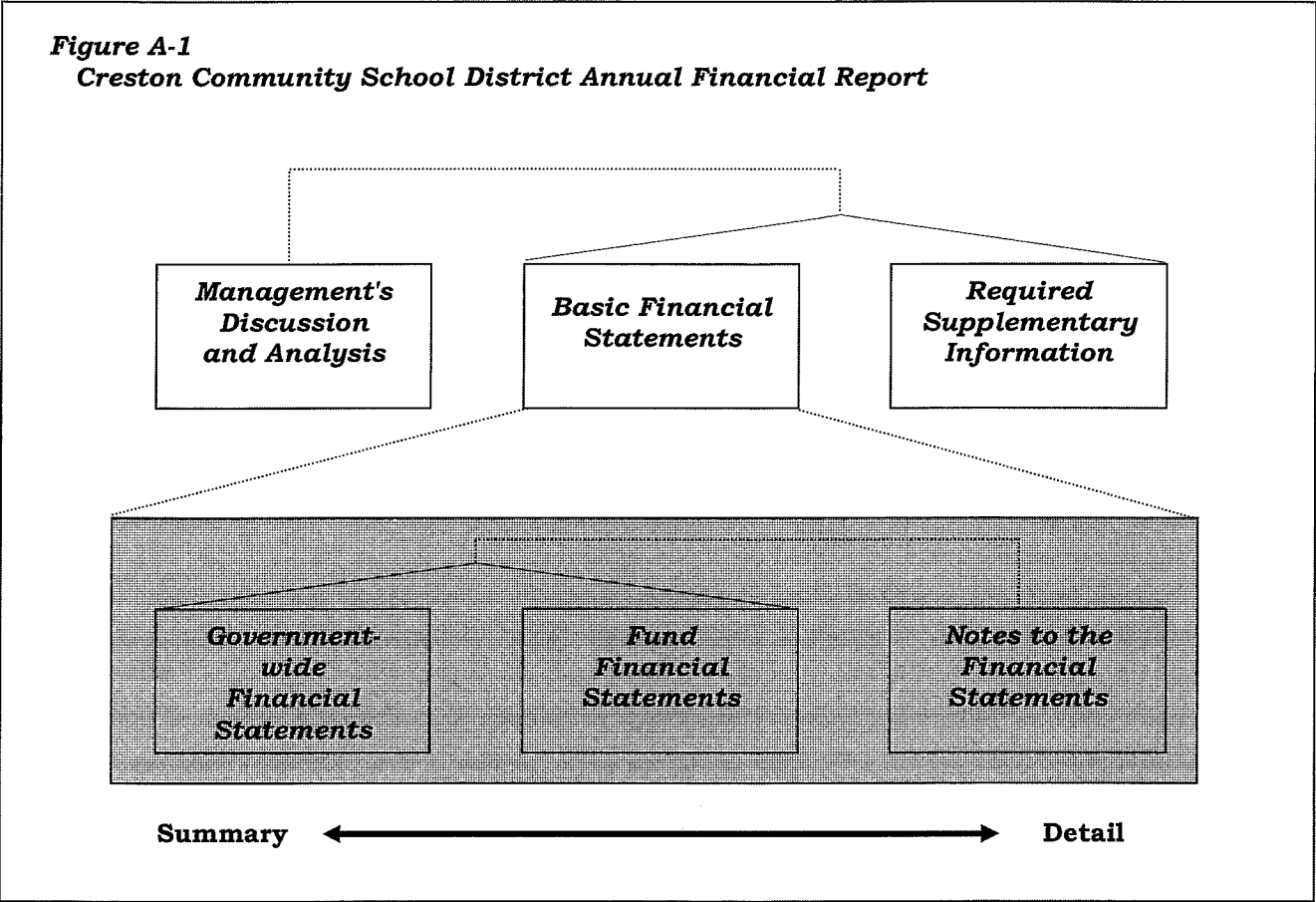


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the Government-Wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the agency fund.

- Agency Fund - These are funds for which the District administers and accounts for certain employee's cafeteria health insurance premiums and related expenditures.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 8,818,391	7,723,175	181,311	160,029	8,999,702	7,883,204	14.16%
Capital assets	21,275,339	21,585,092	237,471	273,109	21,512,810	21,858,201	-1.58%
Total assets	30,093,730	29,308,267	418,782	433,138	30,512,512	29,741,405	2.59%
Long-term obligations	12,337,728	13,076,357	0	0	12,337,728	13,076,357	-5.65%
Other liabilities	6,075,356	5,530,494	48,795	6,560	6,124,151	5,537,054	10.60%
Total liabilities	18,413,084	18,606,851	48,795	6,560	18,461,879	18,613,411	-0.81%
Net assets:							
Invested in capital assets, net of related debt	9,030,339	8,680,092	237,471	273,109	9,267,810	8,953,201	3.51%
Restricted	1,426,915	1,004,491	0	0	1,426,915	1,004,491	42.05%
Unrestricted	1,223,392	1,016,833	132,516	153,469	1,355,908	1,170,302	15.86%
Total net assets	\$ 11,680,646	10,701,416	369,987	426,578	12,050,633	11,127,994	8.29%

The District's combined net assets increased by 8.29% or approximately \$922,639 over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased \$422,424 or 42.05% over the prior year. The increase in restricted fund balance was caused by increases in fund balance in the Physical Plant and Equipment Levy Fund and the Management Fund.

Unrestricted net assets- the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirements- increased \$185,606 or 15.86%. The increase in unrestricted net assets can be attributed to the increase in fund balance for the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 1,022,768	1,495,475	283,287	287,576	1,306,055	1,783,051	-26.75%
Operating grants and contributions and restricted interest	2,250,226	1,941,371	350,995	482,402	2,601,221	2,423,773	7.32%
General revenues:							
Local tax	4,201,540	4,061,590	0	0	4,201,540	4,061,590	3.45%
Local option sales and service tax	1,056,270	1,143,692	0	0	1,056,270	1,143,692	-7.64%
Unrestricted state grants	6,710,078	6,322,156	0	0	6,710,078	6,322,156	6.14%
Other	713,175	405,466	17,837	16,025	731,012	421,491	73.43%
Total revenues	15,954,057	15,369,750	652,119	786,003	16,606,176	16,155,753	2.79%
Program expenses:							
Governmental activities:							
Instructional	8,771,587	8,929,356	30	644	8,771,617	8,930,000	-1.77%
Support services	4,129,002	3,981,558	87,515	60,519	4,216,517	4,042,077	4.32%
Non-instructional programs	0	0	621,165	768,311	621,165	768,311	-19.15%
Other expenses	2,074,238	2,263,917	0	0	2,074,238	2,263,917	-8.38%
Total expenses	14,974,827	15,174,831	708,710	829,474	15,683,537	16,004,305	-2.00%
Change in net assets	979,230	194,919	(56,591)	(43,471)	922,639	151,448	509.21%
Net assets beginning of year	10,701,416	10,506,497	426,578	470,049	11,127,994	10,976,546	1.38%
Net assets end of year	\$ 11,680,646	10,701,416	369,987	426,578	12,050,633	11,127,994	8.29%

Local tax and unrestricted state grants account for 68.39% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 97.27% of the revenue from business type activities.

The District's total revenues were approximately \$16.61 million of which approximately \$15.96 million was for governmental activities and approximately \$0.65 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.79% increase in revenues and a 2.00% decrease in expenses. Unrestricted state grants increased \$387,922 and local tax increased \$139,950 to fund expenditures. The decreases in expenses related to decreases in the non-instructional program expenses.

### Governmental Activities

Revenues for governmental activities were \$15,954,057 and expenses were \$14,974,827.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 8,771,587	8,929,356	-1.80%	6,014,835	5,985,373	0.49%
Support services	4,129,002	3,981,558	3.57%	4,106,634	3,953,723	3.72%
Other expenses	2,074,238	2,263,917	-9.14%	1,580,364	1,798,889	-13.83%
Totals	<u>\$ 14,974,827</u>	<u>15,174,831</u>	<u>-1.34%</u>	<u>11,701,833</u>	<u>11,737,985</u>	<u>-0.31%</u>

- The cost financed by users of the District's programs was \$1,022,768.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,250,226.
- The net cost of governmental activities was financed with \$4,201,540 in local tax, \$1,056,270 in local option sales and service tax, \$6,710,078 in unrestricted state grants, and \$167,244 in interest income and \$545,931 in other general revenues.

### Business-Type Activities

Revenues of the District's business-type activities were \$652,119 and expenses were \$708,710. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Creston Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,732,140, above last year's ending fund balances of a \$2,292,561.

### Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Increase in the state source revenue during the year resulted in an increase in revenues. Normal increases in insurance, transportation and maintenance costs allowed for an increase in expenditures during the year. The increase in expenditures was less than the increase in revenues ensuring an increase in the financial position of the District.
- The Capital Projects fund balance decreased during the current year, from \$651,788 to \$559,753. This decrease in fund balance was primarily due to the course of normal operations in the fund for the fiscal year.

### Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$426,578 at June 30, 2007 to \$369,987 at June 30, 2008, representing a decrease of 13.27%.

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## BUDGETARY HIGHLIGHTS

The District's revenues were \$617,453 less than budgeted revenues, a variance of 3.67%. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, the District had invested \$21,512,810, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.58% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$686,279.

The original cost of the District's capital assets was \$29,654,521. Governmental funds account for \$29,118,048 with \$536,473 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2007, compared to \$246,699 reported at June 30, 2008.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 155,965	170,140	0	0	155,965	170,140	-8.33%
Construction in progress	246,699	0	0	0	246,699	0	100.00%
Buildings	20,018,412	20,534,476	0	0	20,018,412	20,534,476	-2.51%
Improvements other than buildings	595,385	645,623	0	0	595,385	645,623	-7.78%
Machinery and equipment	258,878	234,853	237,471	273,109	496,349	507,962	-2.29%
Total	\$ 21,275,339	21,585,092	237,471	273,109	21,512,810	21,858,201	-1.58%

### Long-Term Debt

At June 30, 2008, the District had long-term debt outstanding of \$12,337,728 in general obligation bonds, capital loan notes and early retirement. This represents a decrease of approximately 5.6% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonds payable of \$11,150,000 at June 30, 2008.

The District had total outstanding capital loan notes payable of \$1,095,000 at June 30, 2008.

The District also had total outstanding early retirement payable of \$92,728 at June 30, 2008.

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Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 11,150,000	11,670,000	-4.5%
Capital loan notes	1,095,000	1,235,000	-11.3%
Early retirement	92,728	171,357	-45.9%
Total	\$ 12,337,728	13,076,357	-5.6%

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase the Creston Community Schools employer benefit costs over the next four years.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Donald M. Krings, District Business Manager, Creston Community School District, 619 N Maple, Creston, Iowa, 50801.

## BASIC FINANCIAL STATEMENTS

CRESTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 3,533,220	169,222	3,702,442
Receivables:			
Property tax:			
Delinquent	52,436	0	52,436
Succeeding year	4,444,092	0	4,444,092
Income surtax	105,919	0	105,919
Due from other governments	682,724	0	682,724
Inventories	0	12,089	12,089
Capital assets, net of accumulated depreciation(Note 4)	21,275,339	237,471	21,512,810
<b>Total Assets</b>	<b>30,093,730</b>	<b>418,782</b>	<b>30,512,512</b>
<b>Liabilities</b>			
Accounts payable	307,128	49	307,177
Salary and benefits payable	1,222,368	41,035	1,263,403
Interest payable	95,024	0	95,024
Deferred revenue:			
Succeeding year property tax	4,444,092	0	4,444,092
Other	6,744	0	6,744
Unearned revenue	0	7,711	7,711
Long-term liabilities(Note 5):			
Portion due within one year:			
General obligation bonds	550,000	0	550,000
Capital loan notes	140,000	0	140,000
Early retirement	82,728	0	82,728
Portion due after one year:			
General obligation bonds	10,600,000	0	10,600,000
Capital loan notes	955,000	0	955,000
Early retirement	10,000	0	10,000
<b>Total Liabilities</b>	<b>18,413,084</b>	<b>48,795</b>	<b>18,461,879</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	9,030,339	237,471	9,267,810
Restricted for:			
Talented and gifted	71,764	0	71,764
Beginning teacher mentoring	1,719	0	1,719
Professional development	55,234	0	55,234
Other	41,733	0	41,733
Management levy	93,215	0	93,215
Physical plant and equipment levy	444,757	0	444,757
Capital projects	559,753	0	559,753
Debt service	76,139	0	76,139
Other special revenue purposes	82,601	0	82,601
Unrestricted	1,223,392	132,516	1,355,908
<b>Total Net Assets</b>	<b>\$ 11,680,646</b>	<b>369,987</b>	<b>12,050,633</b>

SEE NOTES TO FINANCIAL STATEMENTS.



CRESTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Charges for Services	Operating Grants, Contributions and Restricted Interest		Govern- mental Activities	Business- Type Activities	
Expenses						
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular instruction	\$ 5,311,595	443,052	1,449,573	(3,418,970)	0	(3,418,970)
Special instruction	2,059,834	395,760	86,756	(1,577,318)	0	(1,577,318)
Other instruction	1,400,158	183,956	197,655	(1,018,547)	0	(1,018,547)
	8,771,587	1,022,768	1,733,984	(6,014,835)	0	(6,014,835)
Support services:						
Student services	342,721	0	0	(342,721)	0	(342,721)
Instructional staff services	504,741	0	0	(504,741)	0	(504,741)
Administration services	1,555,199	0	0	(1,555,199)	0	(1,555,199)
Operation and maintenance of plant services	1,168,319	0	0	(1,168,319)	0	(1,168,319)
Transportation services	558,022	0	22,368	(535,654)	0	(535,654)
	4,129,002	0	22,368	(4,106,634)	0	(4,106,634)
Other expenditures:						
Facilities acquisitions	431,235	0	0	(431,235)	0	(431,235)
Long-term debt interest	596,627	0	0	(596,627)	0	(596,627)
AEA flowthrough	493,874	0	493,874	0	0	0
Depreciation(unallocated)*	552,502	0	0	(552,502)	0	(552,502)
	2,074,238	0	493,874	(1,580,364)	0	(1,580,364)
Total governmental activities	14,974,827	1,022,768	2,250,226	(11,701,833)	0	(11,701,833)
Business-Type activities:						
Instruction:						
Regular instruction	30	0	0	0	(30)	(30)
Support services:						
Administration services	80,896	0	0	0	(80,896)	(80,896)
Operation and maintenance of plant services	6,619	0	0	0	(6,619)	(6,619)
Total support services	87,515	0	0	0	(87,515)	(87,515)
Non-instructional programs:						
Nutrition services	621,165	283,287	350,995	0	13,117	13,117
Total business-type activities	708,710	283,287	350,995	0	(74,428)	(74,428)
Total	\$ 15,683,537	1,306,055	2,601,221	(11,701,833)	(74,428)	(11,776,261)
<b>General Revenues:</b>						
Property tax levied for:						
General purposes			\$ 3,435,673	0	3,435,673	
Debt services			492,949	0	492,949	
Capital outlay			166,999	0	166,999	
Income surtax			105,919	0	105,919	
Local option sales and service tax			1,056,270	0	1,056,270	
Unrestricted state grants			6,710,078	0	6,710,078	
Unrestricted investment earnings			167,244	17,837	185,081	
Other			545,931	0	545,931	
Total general revenues			12,681,063	17,837	12,698,900	
Changes in net assets			979,230	(56,591)	922,639	
Net assets beginning of year			10,701,416	426,578	11,127,994	
Net assets end of year			\$ 11,680,646	369,987	12,050,633	

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments	\$ 2,202,469	618,321	712,430	3,533,220
Receivables:				
Property tax:				
Delinquent	42,271	0	10,165	52,436
Succeeding year	3,548,656	0	895,436	4,444,092
Income surtax	0	0	105,919	105,919
Due from other governments	510,143	172,581	0	682,724
<b>Total Assets</b>	<b>\$ 6,303,539</b>	<b>790,902</b>	<b>1,723,950</b>	<b>8,818,391</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 36,905	231,149	39,074	307,128
Salaries and benefits payable	1,222,368	0	0	1,222,368
Deferred revenue:				
Succeeding year property tax	3,548,656	0	895,436	4,444,092
Income surtax	0	0	105,919	105,919
Other	6,744	0	0	6,744
<b>Total liabilities</b>	<b>4,814,673</b>	<b>231,149</b>	<b>1,040,429</b>	<b>6,086,251</b>
<b>Fund balances:</b>				
Reserved for:				
Debt service	0	0	76,139	76,139
Talented and gifted	71,764	0	0	71,764
Beginning teacher mentoring	1,719	0	0	1,719
Professional development	55,234	0	0	55,234
Other	41,733	0	0	41,733
Unreserved:				
Designated for special purpose	99,031	0	0	99,031
Undesignated	1,219,385	559,753	607,382	2,386,520
<b>Total fund balances</b>	<b>1,488,866</b>	<b>559,753</b>	<b>683,521</b>	<b>2,732,140</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,303,539</b>	<b>790,902</b>	<b>1,723,950</b>	<b>8,818,391</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008

<b>Total fund balances of governmental funds (page 15)</b>	\$ 2,732,140
<b><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	21,275,339
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(95,024)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	105,919
Long-term liabilities, including bonds payable and early retirement are not due and payable in the current period and, are not reported as liabilities in the governmental funds.	<u>(12,337,728)</u>
<b>Net assets of governmental activities (page 13)</b>	<u><u>\$ 11,680,646</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 3,276,378	1,056,270	819,243	5,151,891
Tuition	779,123	0	0	779,123
Other	547,102	16,792	426,947	990,841
State sources	7,989,846	0	655	7,990,501
Federal sources	651,278	0	0	651,278
Total revenues	13,243,727	1,073,062	1,246,845	15,563,634
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	5,342,920	0	0	5,342,920
Special instruction	2,059,834	0	0	2,059,834
Other instruction	1,031,253	0	368,905	1,400,158
	8,434,007	0	368,905	8,802,912
Support services:				
Student services	342,721	0	0	342,721
Instructional staff services	490,692	0	14,049	504,741
Administration services	1,555,150	0	49	1,555,199
Operation and maintenance of plant services	1,105,526	0	74,240	1,179,766
Transportation services	610,722	0	0	610,722
	4,104,811	0	88,338	4,193,149
Non-instructional:				
Food service	0	0	7,182	7,182
Other expenditures:				
Facilities acquisitions	0	552,062	101,274	653,336
Long-term debt:				
Principal	0	0	660,000	660,000
Interest and fiscal charges	0	0	601,483	601,483
AEA flowthrough	493,874	0	0	493,874
	493,874	552,062	1,362,757	2,408,693
Total expenditures	13,032,692	552,062	1,827,182	15,411,936
Excess(deficiency) of revenues over(under) expenditures	211,035	521,000	(580,337)	151,698
Other financing sources(uses):				
Transfers in	0	0	790,448	790,448
Transfers out	0	(613,035)	(177,413)	(790,448)
Sale of equipment	1,550	0	1,827	3,377
Sale of real property	0	0	284,504	284,504
Total other financing sources(uses)	1,550	(613,035)	899,366	287,881
Net change in fund balances	212,585	(92,035)	319,029	439,579
Fund balance beginning of year	1,276,281	651,788	364,492	2,292,561
Fund balance end of year	\$ 1,488,866	559,753	683,521	2,732,140

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ 439,579

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense, capital outlays expenditures and loss on asset disposal in the current year are as follows:

Capital outlays	\$ 368,278		
Depreciation expense	(650,056)		
Loss on asset disposal	(27,975)		
			(309,753)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 660,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 4,856

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Early retirement 78,629

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 105,919

Changes in net assets of governmental activities (page 14) \$ 979,230

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2008

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and cash equivalents	\$ 169,222
Inventories	12,089
Capital assets, net of accumulated depreciation (Note 4)	<u>237,471</u>
Total Assets	<u>418,782</u>
Liabilities	
Accounts payable	49
Salaries and benefits payable	41,035
Unearned revenues	<u>7,711</u>
Total Liabilities	<u>48,795</u>
Net Assets	
Invested in capital assets	237,471
Unrestricted	<u>132,516</u>
Total Net Assets	<u>\$ 369,987</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for service	<u>\$ 283,287</u>
OPERATING EXPENSES:	
Instruction:	
Regular instruction:	
Other	<u>30</u>
Support services:	
Administration services:	
Salaries	63,691
Benefits	16,437
Services	<u>768</u>
	<u>80,896</u>
Operation and maintenance of plant services:	
Services	<u>6,619</u>
Non-instructional programs:	
Food service operations:	
Salaries	229,701
Benefits	53,070
Services	3,611
Supplies	298,230
Other	330
Depreciation	<u>36,223</u>
	<u>621,165</u>
TOTAL OPERATING EXPENSES	<u>708,710</u>
OPERATING LOSS	<u>(425,423)</u>
NON-OPERATING REVENUES:	
Interest	17,837
State sources	7,498
Federal sources	<u>343,497</u>
TOTAL NON-OPERATING REVENUES	<u>368,832</u>
Change in net assets	(56,591)
Net assets at beginning of year	<u>426,578</u>
Net assets end of year	<u><u>\$ 369,987</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 292,556
Cash received from miscellaneous operating activities	2,259
Cash payments to employees for services	(321,864)
Cash payments to suppliers for goods or services	(283,683)
Net cash used in operating activities	<u>(310,732)</u>
Cash flows from non-capital financing activities:	
State grants received	7,498
Federal grants received	317,657
Net cash provided by non-capital financing activities	<u>325,155</u>
Cash flows from investing activities:	
Interest on investments	<u>17,837</u>
Cash flows from capital financing activities:	
Purchase of assets	<u>(585)</u>
Net increase in cash and cash equivalents	31,675
Cash and cash equivalents at beginning of year	<u>137,547</u>
Cash and cash equivalents at end of year	<u><u>\$ 169,222</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (425,423)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	25,840
Depreciation	36,223
Decrease in inventories	16
Decrease in accounts receivable	10,377
Increase in accounts payable	49
Increase in salaries and benefits payable	41,035
Increase in unearned revenue	1,151
Net cash used in operating activities	<u><u>\$ (310,732)</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u><u>\$ 169,222</u></u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received  
Federal commodities valued at \$25,840.

SEE NOTES TO FINANCIAL STATEMENTS.



CRESTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2008

	<u>Agency</u>
Assets	
Cash and pooled investments	<u>\$ 3,661</u>
Liabilities	
Due to other groups	<u>\$ 3,661</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**(1) Summary of Significant Accounting Policies**

The Creston Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Creston, Iowa, and the predominately agricultural territory in Adams, Ringgold and Union Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Creston Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Creston Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Adams, Ringgold and Union County Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for local option sales and service tax revenues and capital improvement expenditures.

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

Capital assets are depreciated using the straight line method over the following useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 3,409,677

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investor's Service.

### (3) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 613,035
	Special Revenue- Physical Plant and Equipment Levy	177,413
Debt Service		<u>790,448</u>
Total		<u>\$ 790,448</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Capital Projects Fund transferred funds to the Debt Service Fund to pay principal and interest on the general obligation bond indebtedness.

The Physical Plant and Equipment Levy Fund transferred funds to the Debt Service Fund to pay principal and interest on the capital loan note indebtedness.

### (4) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 170,140	0	14,175	155,965
Construction in progress	0	246,699	0	246,699
Total capital assets not being depreciated	<u>170,140</u>	<u>246,699</u>	<u>14,175</u>	<u>402,664</u>
Capital assets being depreciated:				
Buildings	25,883,214	0	204,000	25,679,214
Land improvements	1,322,692	0	30,380	1,292,312
Machinery and equipment	1,707,361	121,579	85,082	1,743,858
Total capital assets being depreciated	<u>28,913,267</u>	<u>121,579</u>	<u>319,462</u>	<u>28,715,384</u>
Less accumulated depreciation for:				
Buildings	5,348,738	502,264	190,200	5,660,802
Land improvements	677,069	50,238	30,380	696,927
Machinery and equipment	1,472,508	97,554	85,082	1,484,980
Total accumulated depreciation	<u>7,498,315</u>	<u>650,056</u>	<u>305,662</u>	<u>7,842,709</u>
Total capital assets being depreciated, net	<u>21,414,952</u>	<u>(528,477)</u>	<u>13,800</u>	<u>20,872,675</u>
Governmental activities capital assets, net	<u>\$ 21,585,092</u>	<u>(281,778)</u>	<u>27,975</u>	<u>21,275,339</u>



	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 535,888	585	0	536,473
Less accumulated depreciation	262,779	36,223	0	299,002
Business-type activities capital assets, net	<u>\$ 273,109</u>	<u>(35,638)</u>	<u>0</u>	<u>237,471</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 28,675
Support services:	
Transportation	68,879
	<u>97,554</u>
Unallocated depreciation	<u>552,502</u>
Total governmental activities depreciation expense	<u>\$ 650,056</u>
Business-type activities:	
Food services	<u>\$ 36,223</u>

#### (5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation	\$ 11,670,000	0	520,000	11,150,000	550,000
Capital loan notes	1,235,000	0	140,000	1,095,000	140,000
Early retirement	171,357	20,000	98,629	92,728	82,728
Total	<u>\$ 13,076,357</u>	<u>20,000</u>	<u>758,629</u>	<u>12,337,728</u>	<u>772,728</u>

#### General Obligation

Details of the District's June 30, 2008 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Bond Issue of May 1, 2003			Bond Issue of May 1, 2003			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2009	5.00 %	\$ 480,000	454,090	5.20 %	\$ 70,000	82,050	\$ 550,000	536,140
2010	5.25	500,000	430,090	5.20	80,000	78,410	580,000	508,500
2011	5.25	530,000	403,840	5.20	80,000	74,250	610,000	478,090
2012	5.25	555,000	376,015	5.20	85,000	70,090	640,000	446,105
2013	4.40	580,000	346,877	3.75	90,000	65,670	670,000	412,547
2014-2018	4.40-4.875	3,340,000	1,312,347	3.90-4.30	515,000	271,835	3,855,000	1,584,182
2019-2023	4.90-5.00	3,310,000	421,370	4.40	935,000	153,780	4,245,000	575,150
Total		<u>\$ 9,295,000</u>	<u>3,744,629</u>		<u>\$ 1,855,000</u>	<u>796,085</u>	<u>\$ 11,150,000</u>	<u>4,540,714</u>

### Capital Loan Notes

On March 1, 2004, the District issued capital loan notes of \$1,500,000. These notes will be paid from the Physical Plant and Equipment Levy (PPEL) Fund until the year 2015. Details of the District's June 30, 2008 Capital Loan Notes indebtedness is as follows:

Year Ending June 30,	Note Issue of March 1, 2004		
	Interest Rates	Principal	Interest
2009	2.40	% \$ 140,000	34,003
2010	2.75	145,000	30,643
2011	2.95	150,000	26,655
2012	3.20	155,000	22,230
2013	3.30	160,000	17,270
2014	3.45	170,000	11,990
2015	3.50	175,000	6,125
	Total	\$ 1,095,000	148,915

### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine and must have completed twenty-four years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. Early retirement incentives for each eligible employee is equal to the difference between the employees annual full-time salary and the annual full-time salary for Step 3 of BA lane on the 2007-2008 salary schedule. Early retirement benefits paid during the year ended June 30, 2008, totaled \$98,629. A liability has been recorded in the Government-wide financial statements representing the District's commitment to fund non-current early retirement.

### **(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$441,813, \$464,626, and \$434,272 respectively, equal to the required contributions for each year.

**(7) Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: dental, life and long-term disability.

District contributions to ISEBA for the year ended June 30, 2008 were \$874,036.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$493,874 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Construction Commitment**

As of June 30, 2008, costs of \$246,699 had been incurred on various construction contracts for District improvements. When construction is completed, the final cost of the projects will be added to the capital assets.

REQUIRED SUPPLEMENTARY INFORMATION

CRESTON COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2008

	Governmental	Proprietary		Budgeted Amounts		Final to
	Fund Types	Fund Type	Total			Actual
	Actual	Actual	Actual	Original	Final	Variance
Revenues:						
Local sources	\$ 6,921,855	301,124	7,222,979	7,247,913	7,247,913	(24,934)
State sources	7,990,501	7,498	7,997,999	8,202,293	8,202,293	(204,294)
Federal sources	651,278	343,497	994,775	1,383,000	1,383,000	(388,225)
Total revenues	15,563,634	652,119	16,215,753	16,833,206	16,833,206	(617,453)
Expenditures:						
Instruction	8,802,912	30	8,802,942	10,168,600	10,168,600	1,365,658
Support services	4,193,149	87,515	4,280,664	4,582,504	4,582,504	301,840
Non-instructional programs	7,182	621,165	628,347	1,000,000	1,000,000	371,653
Other expenditures	2,408,693	0	2,408,693	3,352,822	3,352,822	944,129
Total expenditures	15,411,936	708,710	16,120,646	19,103,926	19,103,926	2,983,280
Excess(deficiency) of revenues over(under) expenditures	151,698	(56,591)	95,107	(2,270,720)	(2,270,720)	2,365,827
Other financing sources, net	287,881	0	287,881	1,000	1,000	286,881
Excess(deficiency) of revenues and other financing sources over(under) expenditures	439,579	(56,591)	382,988	(2,269,720)	(2,269,720)	2,652,708
Balance beginning of year	2,292,561	426,578	2,719,139	2,618,514	2,618,514	100,625
Balance end of year	\$ 2,732,140	369,987	3,102,127	348,794	348,794	2,753,333

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CRESTON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

CRESTON COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	
Assets						
Cash and pooled investments	\$ 183,887	89,553	368,908	642,348	70,082	712,430
Receivables:						
Property tax:						
Current year delinquent	2,056	0	2,052	4,108	6,057	10,165
Succeeding year	160,000	0	194,796	354,796	540,640	895,436
Income surtax	0	0	105,919	105,919	0	105,919
Total Assets	\$ 345,943	89,553	671,675	1,107,171	616,779	1,723,950
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 0	6,952	32,122	39,074	0	39,074
Deferred revenue:						
Succeeding year property tax	160,000	0	194,796	354,796	540,640	895,436
Income surtax	0	0	105,919	105,919	0	105,919
Total liabilities	160,000	6,952	332,837	499,789	540,640	1,040,429
Fund balances:						
Reserved for debt service	0	0	0	0	76,139	76,139
Unreserved	185,943	82,601	338,838	607,382	0	607,382
Total fund balances	185,943	82,601	338,838	607,382	76,139	683,521
Total Liabilities and Fund Balances	\$ 345,943	89,553	671,675	1,107,171	616,779	1,723,950

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



CRESTON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	
REVENUES:						
Local sources:						
Local tax	\$ 159,295	0	166,999	326,294	492,949	819,243
Other	2,331	381,474	42,218	426,023	924	426,947
State sources	128	0	139	267	388	655
TOTAL REVENUES	161,754	381,474	209,356	752,584	494,261	1,246,845
EXPENDITURES:						
Current:						
Instruction:						
Other instruction	0	368,905	0	368,905	0	368,905
Support services:						
Instructional staff services	0	0	14,049	14,049	0	14,049
Administration services	0	49	0	49	0	49
Operation and maintenance of plant services	74,240	0	0	74,240	0	74,240
Non-instructional:						
Food service operations	7,182	0	0	7,182	0	7,182
Other expenditures:						
Facilities acquisitions	0	0	101,274	101,274	0	101,274
Long-term debt:						
Principal	0	0	0	0	660,000	660,000
Interest and fiscal charges	0	0	0	0	601,483	601,483
TOTAL EXPENDITURES	81,422	368,954	115,323	565,699	1,261,483	1,827,182
Excess(Deficiency) of revenues over(under) expenditures	80,332	12,520	94,033	186,885	(767,222)	(580,337)
Other financing sources(uses):						
Transfer in	0	0	0	0	790,448	790,448
Transfer out	0	0	(177,413)	(177,413)	0	(177,413)
Sale of equipment	0	0	1,827	1,827	0	1,827
Sale of real property	0	0	284,504	284,504	0	284,504
Total other financing sources(uses)	0	0	108,918	108,918	790,448	899,366
Change in fund balances	80,332	12,520	202,951	295,803	23,226	319,029
Fund balance beginning of year	105,611	70,081	135,887	311,579	52,913	364,492
Fund balance end of year	\$ 185,943	82,601	338,838	607,382	76,139	683,521

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CRESTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Thespians	\$ 4,147	2,310	1,732	4,725
MS marching panthers	104	22,922	22,058	968
Panther guard	0	5,078	6,778	(1,700)
MS singers	0	1,333	217	1,116
MS general athletics	0	16,566	24,050	(7,484)
Diversity club	0	286	12	274
Panther desktop publishing	0	739	122	617
Speech	4	1,154	2,113	(955)
Panther singers	2,217	11,573	6,000	7,790
Frosh-Soph festival	539	533	1,043	29
HS general athletics	3,415	32,164	25,516	10,063
Student activity	2,485	12,020	0	14,505
National honor society	32	300	325	7
Industrial arts	0	4,109	4,089	20
Special olympics	1,016	2,393	2,189	1,220
Boys basketball	1,882	15,770	9,267	8,385
Bowling	0	3,380	3,603	(223)
Football	2,025	34,747	39,764	(2,992)
Baseball	0	9,262	20,273	(11,011)
Boys track	3	2,063	6,397	(4,331)
Cross country	1	2,557	3,690	(1,132)
Tennis	478	2,388	3,490	(624)
Golf	40	245	3,230	(2,945)
Wrestling	246	27,182	27,307	121
Girls basketball	1,509	13,118	9,808	4,819
Volleyball	1,706	3,942	4,961	687
Softball	0	9,305	13,755	(4,450)
Girls track	1	2,636	2,708	(71)
Soccer	386	6,305	10,167	(3,476)
Elementary library	17	0	0	17
Alternative school	1,265	0	0	1,265
Alumni	1,589	800	0	2,389
Class of 2007	330	1,035	0	1,365
Class of 2008	3,685	49	818	2,916
Class of 2009	807	7,624	4,336	4,095
Class of 2010	0	919	815	104
Class of 2011	247	787	154	880

CRESTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Student government	2,170	4,871	6,061	980
Panther peppers	249	5,050	872	4,427
Cheerleaders	1	8,957	9,556	(598)
Big sister/little sister	1,510	0	0	1,510
FCCLA	1,636	716	0	2,352
IJAG	0	690	337	353
Spanish club	1	0	0	1
FFA	16,389	40,262	35,331	21,320
Crest/yearbook	88	12,501	1,062	11,527
Teachers lounge	1,495	0	0	1,495
JDC	138	0	99	39
HS weight room	648	11,363	8,859	3,152
Panther weight club	0	250	0	250
Interest	4,504	79	1,514	3,069
Entrepreneur	276	600	0	876
Clearing account	4,553	33,758	38,311	0
Library	36	0	0	36
Hawkeye 10 conference	6,211	4,783	6,165	4,829
Total	\$ 70,081	381,474	368,954	82,601

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CRESTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2008

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 2,363	1,532	234	3,661
<b>Liabilities</b>				
Due to other groups	\$ 2,363	1,532	234	3,661

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CRESTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 5,151,891	5,205,282	4,650,977	4,675,468	4,586,430
Tuition	779,123	846,712	531,819	417,718	544,102
Other	990,841	1,054,229	1,035,187	992,047	697,535
State sources	7,990,501	7,452,259	6,916,779	6,564,307	6,252,892
Federal sources	651,278	811,268	1,162,023	801,998	1,644,172
Total	\$ 15,563,634	15,369,750	14,296,785	13,451,538	13,725,131
Expenditures:					
Instruction:					
Regular instruction	\$ 5,342,920	5,483,982	4,926,797	4,492,302	4,566,081
Special instruction	2,059,834	2,130,654	1,719,109	1,689,582	2,434,811
Other instruction	1,400,158	945,375	1,413,132	1,479,975	1,173,527
Support services:					
Student services	342,721	326,932	331,017	318,548	264,642
Instructional staff services	504,741	344,642	292,024	419,125	274,942
Administration services	1,555,199	1,511,141	1,423,425	1,214,908	940,627
Operation and maintenance of plant services	1,179,766	1,217,476	1,235,867	1,178,766	710,303
Transportation services	610,722	520,583	561,262	355,322	359,042
Central support services	0	0	0	0	105,806
Non-instructional:					
Food service operations	7,182	0	2,868	0	0
Other expenditures:					
Facilities acquisitions	653,336	621,617	1,376,643	2,746,755	10,856,929
Long Term Debt:					
Principal	660,000	635,000	610,000	460,000	445,000
Interest and fiscal charges	601,483	625,658	647,865	673,912	644,876
AEA flow-through	493,874	465,028	431,257	421,173	421,480
Total	\$ 15,411,936	14,828,088	14,971,266	15,450,368	23,198,066

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CRESTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 08	\$ 89,274
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 08	254,223 *
			<u>343,497</u>
DEPARTMENT OF TRANSPORTATION:			
IOWA DEPARTMENT OF TRANSPORTATION:			
HIGHWAY PLANNING AND CONSTRUCTION	20.205	FY 08	<u>15,550</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1503-G	232,070
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1503-GC	15,679
			<u>247,749</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.298	FY 08	<u>2,847</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 07	7,561
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 08	5,808
			<u>13,369</u>
ENHANCING EDUCATION THROUGH TECHNOLOGY	84.318	FY 08	<u>3,703</u>
READING FIRST STATE GRANTS	84.357	FY 08	<u>128,556</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 07	5,786
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 08	84,667
			<u>90,453</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 08	<u>10,136</u>
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 08	<u>16,285</u>
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 08	<u>86,756</u>
TOTAL			<u>\$ 958,901</u>

\* Includes \$25,840 of non-cash federal awards.

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Creston Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Creston Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Creston Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 24, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Creston Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Creston Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Creston Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Creston Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Creston Community School District's financial statements that is more than inconsequential will not be prevented or detected by Creston Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Creston Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-08 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Creston Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Creston Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Creston Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Creston Community School District and other parties to whom Creston Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Creston Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2009



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Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board of Education of  
Creston Community School District

Compliance

We have audited the compliance of Creston Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Creston Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Creston Community School District's management. Our responsibility is to express an opinion on Creston Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Creston Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Creston Community School District's compliance with those requirements.

In our opinion, Creston Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

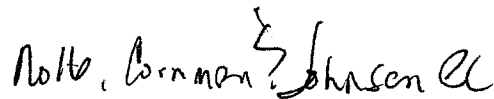
The management of Creston Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Creston Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Creston Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-08 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-08 to be a material weakness.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Creston Community School District and other parties to whom Creston Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2009

CRESTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
  - CFDA Number 84.010 - Title I Grants to Local Educational Agencies

Clustered Programs:

  - CFDA Number 10.553 - School Breakfast Program
  - CFDA Number 10.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Creston Community School District did not qualify as a low-risk auditee.

CRESTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

II-B-08 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. There were no adjustments made to reflect current year receivables and payables.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - As per recommendation, the accounting personnel will acquire more training on the school accounting software system to enable them to be more proficient.

Conclusion - Response accepted.

II-C-08 Receipting Process - During the audit, it was noted in the Activity Fund that receipts were not being given to sponsors or students bringing money to the District's high school office. Sponsors drop off money on the Activity Fund secretary's desk to be counted and receipted with no supporting documentation or reconciliation sheets as to where the money came from. The sponsors should keep documentation of the individuals they received money from and turn this documentation into the office when they turn the money in. It appeared that deposits slips from the bank reconciled to what was receipted

into the District's software system. But when asked for a pre-numbered receipt book to determine the composition and accuracy of the bank deposit, it was discovered that a pre-numbered receipt book was not being used.

Recommendation - The district actually maintains multiple layers of receipting from, sponsors, to the building office, to the central office. When sponsors or fundraising chairpersons submit money to the office for previously collected receipts, they should provide documentation of their receipts. This documentation should be used when reconciling deposits to receipts. The district should take necessary steps to require all sponsors to turn in collected money on a daily basis with a detailed receipts or another form of detailed documentation. This detailed documentation should at a minimum include the individual that the sponsor received the money from, the purpose, the fund/organization/club that needs to be credited, the date and amount.

The District should review its receipting process and implement the use of a pre-numbered receipt book. The receipt book is necessary to be able to trace the composition and accuracy of bank deposits as well as safeguarding the assets of the District.

Response - The District will review its receipting process and has implemented the use of a pre-numbered receipt book.

Conclusion - Response accepted.

- II-D-08 Checks Outstanding - We noted during our audit that the District had a check included in the bank reconciliation of the Student Activity Fund that has been outstanding for over a year.

Recommendation - The District should determine if the outstanding checks should be reissued, voided or submitted to the State as unclaimed property. If the checks are submitted as unclaimed property, the District must do so annually before November 1<sup>st</sup> as required by Chapter 556.1(10) and 556.11 of the Code of Iowa.

Response - The District will determine if outstanding checks need to be reissued, voided or submitted to the State as unclaimed property and follow the auditor recommendation.

Conclusion - Response accepted.

- II-E-08 Sale of Property - It was noted that during the year the District received revenues for the sale of an old bus and scrap metal. This revenue was receipted into the Physical Plant and Equipment Levy (PPEL) Fund instead of the General Fund.

Recommendation - Chapter 297.22 of the Code of Iowa states that the sale of real property will be receipted into the PPEL Fund. Since the bus and scrap metal is not real property the revenues should have been receipted to the General Fund; therefore a corrective transfer from the PPEL Fund to the General Fund should be made in the amount of \$1,827.

Response - The transfer from the PPEL Fund to the General Fund for \$1,827 will be made to correct the error.

Conclusion - Response accepted.

- II-F-08 Organizational Chart - During the audit, it appeared that not all of the accounting personnel were communicating directly with the Chief Financial Officer (CFO). Some of the accounting personnel were answering to other administrators with no accountability to the CFO.

Recommendation - The District should review the organizational chart to ensure that clear communication lines are in place. This will allow for better compliance with all regulations and should produce better records.

Response - The organizational chart will be reviewed and changed so the accounting personnel will have accountability to the CFO.

Conclusion - Response accepted.

- II-G-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

The District's Student Activity Fund has a Class of 2007 and a Class of 2008 account. Upon graduation, the remaining balance in old class accounts can be used as start up funds for the next incoming class or should be transferred to another student activity fund account.

There is a Panther library, elementary library, teachers lounge and an industrial arts account. Revenues and expenditures from these accounts would appear to not meet the criteria of the Student Activity Fund. The funds in these accounts would be more appropriately handled through the General Fund.

There were two interest accounts in the Student Activity Fund. Interest earned on investments during the year should be allocated to individual Student Activity Fund accounts on an annual basis.

The District should review the properness of receipts and expenditures that are recorded in the Student Activity Fund. The District should also review procedures that are in place in regards to the Activity Fund and follow the suggested recommendations to gain compliance and better internal controls.

Response - Remaining monies in graduating class accounts will be transferred to other activity fund accounts.

The District will review the library accounts, teacher lounge account and the industrial arts account and monies will be transferred and expended from the appropriate funds.

Interest will be allocated annually to individual student activity fund accounts that earned the interest.

Conclusion - Response accepted.

CRESTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and  
CFDA Number 10.555: National School Lunch Program  
Federal Award Year: 2008  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies  
Federal Award Year: 2008  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

CRESTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amount budgeted.

IV-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

The District has a policy 8030.60 in effect for the reimbursement of necessary expenses incurred by employees while on District business. The policy states that receipts for all expenses shall be presented to the Superintendent or his designee at the time request for reimbursement is made. However, we noted that the policy does not address consequences to employees that do not turn in detailed documentation of the purchase to District officials. Detailed documentation needs to be required by District officials to determine with certainty that all aspects of purchases made are truly expenses of the District.

Recommendation - The District should review policy 8030.60 and should model a new policy after the sample policy that can be obtained from IASB. The sample policy in part states that if detailed documentation is not submitted by employees that use District issued credit cards, that the expense will become the employees' and not the District's.

Response - The District will review policy 8030.60 and make necessary changes per auditor recommendation.

Conclusion - Response accepted.

IV-D-08 Business Transactions - Business transactions between the District and District officials were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gary Briley, maintenance Owns Briley Plumbing	Purchased services	\$11,220

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the maintenance employee does not appear to represent a conflict of interest.

IV-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.



IV-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-J-08 Financial Condition - We noted that within the Student Activity Fund that there were deficit individual account balances.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit.

Response - We will continue to reduce accounts that are in the red.

Conclusion - Response accepted.

IV-K-08 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The Board President is now signing all contracts entered into by the District.

Conclusion - Response accepted.